

Tax Credits for Small Business

fact sheet



Kentucky's Healthcare Connection

Quality Health Coverage. For Every Kentuckian.



What is SHOP?

The Small Business Health Options Program (SHOP) is a new program that simplifies the process of buying health insurance for your business.

SHOP gives you choice and control over the cost of providing healthcare coverage to your employees.

- You control the coverage you offer and how much you pay toward employee premiums.
- You can compare health plans online on an apples-to-apples basis, which helps you make a decision that's right for your business.
- You may qualify for a Small Business Healthcare Tax Credit worth up to 50 percent of your premium costs. **Tax credits are available only for plans purchased through SHOP.**

What do small businesses need to know?

Starting in 2014, businesses with 50 or fewer employees can use SHOP to offer coverage to their employees. You control the coverage you offer and how much you pay toward premium costs. You can sign up and begin offering coverage any time during the year.

No small employers are required to offer health coverage in 2014. Businesses with more than 50 employees could face fines in 2015.

Will my business qualify for tax credits?

To qualify for tax credits through SHOP, a business must meet three requirements:

- Employ 25 or fewer full-time employees.
- Meet a group average annual wage of less than \$50,000.
- Pay at least 50 percent of the premium for employees. You don't need to offer coverage to your part-time employees or to dependents.
- **The credit is available only if you get coverage through SHOP.**

Starting in 2014, the tax credit is worth up to 50 percent of your contribution toward employee premium costs. This will make the cost of providing health coverage lower.

Find out if you qualify

You don't have to wait to find out if you qualify for the tax credit.

You can find out now by visiting IRS.gov. You can also consult with your tax advisor or accountant to learn if you qualify, and, if so, how much your credit will be.

Example of how the tax credit works



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For an employer who qualifies for the maximum credit worth 50 percent of premium contribution in 2014:

Number of employees: 10

Wages: \$250,000 total or \$25,000 per employee

Employer contribution to employee premiums: \$70,000

Tax credit amount: \$35,000 (50 percent of employer's contribution)

Do I have to use SHOP to claim the tax credit?

While the tax credit has been open to eligible employers since tax year 2010, starting in 2014 you must buy coverage through SHOP to claim the credit. If you currently claim the credit, it's important to take this into account as you make your coverage plans.

Can I use an insurance agent to buy health insurance through SHOP?

You will be able to use a licensed Insurance Agent to provide help or handle your SHOP business. Insurance Agents can be great assets to small businesses who offer health coverage to their employees.

The premiums you pay will be the same with or without the help of an Insurance Agent. Insurance Agents are usually paid by the insurance companies whose policies they sell.

You can use your current Insurance Agent, or kynect can help you find assistance. kynect has three groups trained and ready to help you: Insurance Agents, kynectors and Customer Service. All can be found at **kynect.ky.gov** or by calling kynect Customer Service at **1-855-4kynect (459-6328)**, TTY: **1-855-326-4654**.

Compare plans and apply online

SHOP is designed for busy small employers with 50 or fewer employees. With one online application, on your own or with the help of an insurance agent, kynector or customer service, you can compare price, coverage and benefits of plans in a way that's easy to understand.



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